



Republican Policy Committee

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CBO Verifies Congress' Deficit Reduction: Good News for Now

Congress Reduces the Deficit Despite Clinton

The Congressional Budget Office (CBO) in its latest estimates gives credit to Congress for reducing the deficit despite the Clinton Administration's oppositional stance. In its March 28 preliminary report on the budget and economic outlook, CBO estimates a dramatic improvement in the short-term deficit outlook, lowering the current fiscal year deficit projection by \$32 billion and the overall deficit from \$172 billion to \$140 billion.

And, CBO leaves no doubt that Congress is the place to lay the credit for this improvement, which has come in precisely those programs over which Congress retains primary control — discretionary spending:

"The currently projected deficit for 1996 is \$32 billion lower, but almost two-thirds of that change results from actions on 1996 appropriation bills..."

In contrast, it has been over the White House's insistence for **more** spending in precisely these programs that twice caused the government to shut down, and threatens to do so again. Clinton's appetite for ever more spending has been consistent: from his 1993 request for \$15 billion, to his recent FY96 \$8 billion supplemental request, the President ignores fiscal reality in seeking to pump up his favorite programs.

The Other Side of the Coin

Regrettably, CBO's improved deficit outlook is very short-term. Without a change in the Administration's refusal to control spending, the deficit will begin to climb next year and grow to over \$400 billion by fiscal year 2006. Despite Congress' current success in reducing the deficit through the programs it funds annually, this portion of the spending equation is equal to less than half (48 percent) of the rest of federal spending today and will equal only one-third (33.8 percent) of remaining federal spending in FY 2006. The larger portion of federal spending — so-called mandatory spending — is permanently funded. It, like the Energizer Bunny of budgeting, keeps on spending and spending and spending, unless laws are changed. Without the President's signature, such changes are impossible — as America found out when President Clinton vetoed the deficit-eliminating Balanced Budget Act last year.

As CBO's analysis shows, Congress cannot —over White House opposition— wring out

sufficient savings from an ever diminishing share of the federal (discretionary) budget to offset President Clinton's insistence to let it grow uncontrollably. That's why the long-term prognosis is for growing future deficits.

CBO's Deficit Scenario: Steepening the Clinton Trajectory

President Clinton's refusal to accept a balanced budget forced CBO to change its December assumption that the budget would be balanced in seven years. And so, while the deficit will this year follow Congress' commitment to balance the budget, it will respond to Clinton's refusal to do so as early as next year, in effect producing a "Clinton trajectory" in the following years. In fact, according to CBO the cost of doing nothing has gone up — steepening the Clinton trajectory of profligacy.

CBO 3/96 Baseline

Total Deficit with Current-Policy Economic Assumptions (in billions of \$'s)

<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>96-05</u>
164	140	169	195	221	246	261	287	312	344	378	405	2553

CBO 12/95 Baseline

Total Deficit with Balanced Budget Economic Assumptions (in billions of \$'s)

<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>96-05</u>
164	172	182	183	195	204	211	228	244	266	294	2179

Deficit Difference

<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>96-05</u>
0	-32	-13	12	26	42	50	59	68	78	84	374

- ▶ Through Congress' deficit elimination efforts in the yearly spending bills (discretionary spending), the deficit is estimated to be \$32 billion lower this year and \$13 billion lower next year.
- ▶ However, without the President's cooperation in the permanent spending programs (mandatory spending), this larger segment of federal spending will outstrip Congress' deficit elimination efforts.
- ▶ As a result, the deficit will begin going up as early as next fiscal year: from \$140 billion in FY 1996 to \$169 billion in FY 1997.
- ▶ The deficit estimate will begin exceeding CBO's December estimate in FY 1998: from \$183 billion to \$195 billion.
- ▶ The federal government will rack up almost \$3 trillion in deficit spending from FY 1996 to FY 2006.

As a result, compared to CBO's 12/95 estimate, the federal government's estimated level of deficit spending will increase \$374 billion over the next decade.

CBO's Good News/Bad News Baseline

CBO's good news is a current improvement in the deficit outlook. It came a result of Congress' insistence on keeping its word and keeping on track to eliminate the deficit in seven years by holding down the level of federal discretionary spending. This came despite the President's stiff opposition, including his veto of four appropriation bills and of a temporary appropriation bill that resulted in two government shutdowns.

Yet, federal spending on so-called "mandatory programs," whose spending is growing at an uncontrollable rate, cannot be altered without the President's approval. Instead, this President wants to pretend that the government can continue to spend uncontrollably and indefinitely by relying on gimmicks such as overly optimistic economic assumptions.

CBO's bad news is that the current improvement in the deficit outlook is more than offset by spending in the part of the federal budget that the President refuses to allow Congress to control. The permanently funded part of the federal budget will literally explode, almost doubling over the next decade.

3/96 CBO Baseline

Federal Spending (in billions of dollars)

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Discretionary	532	546	546	563	579	596	614	632	651	671	691
Mandatory	1112	1189	1269	1343	1426	1503	1598	1698	1805	1924	2043
Total	1644	1735	1815	1906	2005	2099	2212	2330	2456	2595	2734
<i>Percent of Discretionary to Mandatory</i>	48	46	43	42	41	40	38	37	36	35	34

Covering Clinton's Debts

Congress made a commitment to eliminate the deficit last year and kept it, despite the President's strenuous opposition. However, Congress cannot keep covering Clinton's debts indefinitely. Until President Clinton renounces his demand for more federal spending and admits that the federal government cannot go on spending uncontrollably, fiscal responsibility, as well as the attainment of America's full economic potential both will remain unrealized.

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